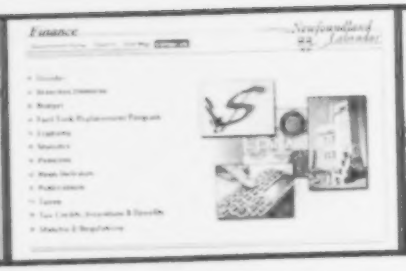
The Department of Finance

Annual Report

Year Ended 31 March, 2003



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of Finance

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Transmittal Letter

In accordance with Government's commitment to accountability I hereby submit the 2002-03 annual performance report for the Department of Finance. This report was prepared under my direction and addresses the Department's activities and outcomes from 1 April, 2002 to 31 March, 2003.

Loyola Sullivan
Minister of Finance

Departmental Overview

Vision

It is the vision of the Department of Finance to ensure sufficient financial and economic resources are available to promote prosperity and well-being among the people of the Province of Newfoundland and Labrador.

Mission

The Mission of the Department of Finance is to provide the necessary financial and economic resources to support effectively Government programs and policy development within a responsible fiscal framework, while ensuring the tax system is fair to all taxpayers.

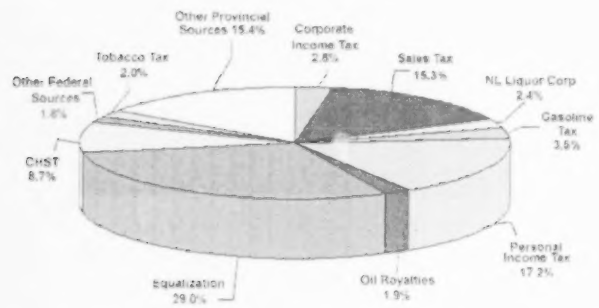
The Department of Finance Staff Development Activities 2002

The Department of Finance, created by a separate Order-in-Council under the Executive Council Act, is one of two agencies responsible for the provision of financial services necessary to support all Government activities and programs (the other agency being the Treasury Board Secretariat). The Department is responsible for the following:

- taxation policy analysis;
- current account revenue forecasting and monitoring;
- federal-provincial fiscal arrangements;
- financial analysis of the impact of specific projects;
- the borrowing, cash management and debt servicing programs of Government including its municipal lending agency, Newfoundland and Labrador Municipal Financing Corporation;
- the administration of its internal pension programs;
- the administration of provincial taxes; and
- analysis of the provincial economy including statistical collection.

The Department has stewardship over substantially all of the current account revenue generated by the Province. Treasury Board, the other agency within Government responsible for financial services, is responsible for the financial operations of Government such as expenditure management, planning, and collective bargaining.

Current Account Revenues of the Province

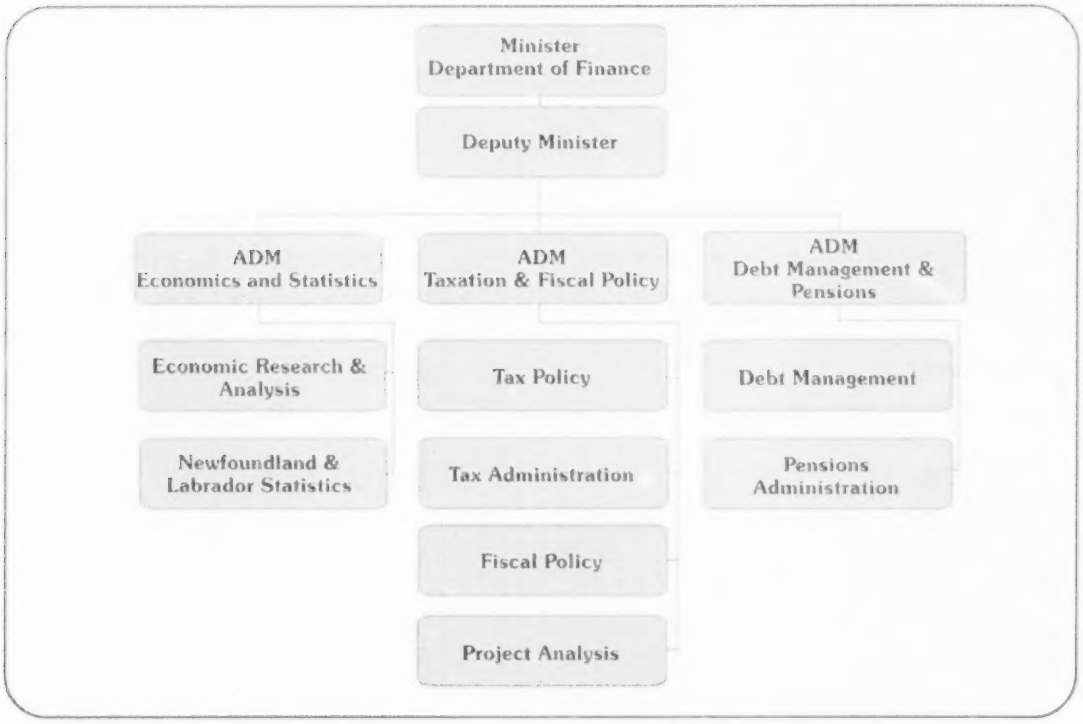


Total 2002-03 Current Account Revenues $3,907.0 Million

Source: Public Accounts 2002-03

Organizational Structure

The Department of Finance has three separate branches: Debt Management and Pensions Administration; Taxation and Fiscal Policy; and Economics and Statistics. Each is responsible to an Assistant Deputy Minister, reporting to the Deputy Minister of Finance who, in turn, is responsible to the Minister. In addition, the Ministry is responsible for several boards, agencies and commissions including Newfoundland Municipal Finance Corporation, Newfoundland Industrial Development Corporation, Newfoundland Liquor Corporation, Atlantic Lottery Corporation, Newfoundland Government Fund Limited and the C.A. Pippy Park Commission. The chart below outlines the Departmental organizational structure.



Lines of Business

Debt Management and Pensions Administration Branch

Liability Management and Loan Administration

Administration of the Province's borrowing and debt management programs, including cash management and the investment of trusteed assets, and the operation of Government's senior guaranteed financial assistance programs.

Pensions Administration

Administration of Government's internal pension program, including the delivery and communication of benefit services and the investment of related trusteed assets.

Taxation and Fiscal Policy Branch

Fiscal Policy

Negotiation and administration of all programs under federal-provincial fiscal arrangements; forecasting and analysis of provincial revenues; coordination of the annual Budget speech and pre-budget consultation process; and analytical support for the development of Government's fiscal policy.

Project Analysis

Analysis of the financial and economic impact of specific projects to assist Government in policy development.

Tax Policy

Analysis and assessment of the implications of changes to existing provincial taxation policies, options for taxation reform and new revenue proposals, and the negotiation and monitoring of federal-provincial tax agreements.

Tax Administration

Administration and collection of various provincial taxes including: tobacco tax, gasoline tax, payroll tax, mining and mineral rights tax, insurance companies tax, utilities tax, and financial corporations capital tax.

Economics and Statistics Branch

Economic Research and Analysis

Analysis and forecasting of the macroeconomic environment; provision of specific macroeconomic analysis and studies related to policy and project impact assessments. Government's central source for economic services. Responsible for both the Newfoundland and Labrador Econometric and Input/Output Models, as well as, the Population Projection Model and demographic analysis. Also responsible for the publication of the Budget document, *The Economy*.

Newfoundland and Labrador Statistics

Statistical and analytical services which include the development of specific provincial data and other unique information necessary for Government's policy development. Government's central source for data collection and information resources produced by Statistics Canada, and acts as the main point of contact with Statistics Canada.

Legislation Stewardship

The Department is responsible for 27 pieces of legislation as follows:

C.A. Pippy Park Commission

- *C.A. Pippy Park Commission Act*

Debt Management Division

- *Industrial Development Corporation Act*
- *Municipal Financing Corporation Act*
- *The Loan Act*
- *The Loan and Guarantee Act, 1957*
- *The Local Authority Guarantee Act, 1957*

Newfoundland and Labrador Statistics Agency

- *Statistics Agency Act*

Newfoundland Liquor Corporation

- *Liquor Corporation Act*

Pensions Administration Division

- *Government Money Purchase Pension Plan Act*
- *Members of The House of Assembly Pensions Act*
- *Pension Benefits Act, 1997*
- *Pensions Funding Act*
- *Public Service Pensions Act, 1991*
- *Teachers Pensions Act*
- *Uniformed Services Pensions Act*

Tax Administration Division

- *Financial Corporations Capital Tax Act*
- *Gasoline Tax Act*
- *Health and Post-Secondary Education Tax Act*
- *Horse Racing Regulation and Tax Act*
- *Insurance Companies Tax Act*
- *Mining and Mineral Rights Tax Act*
- *Retail Sales Tax Act*
- *School Tax Authorities Winding Up Act*
- *Tax Agreement Act*
- *Taxation of Utilities and Cable Television Companies Act*
- *Tobacco Tax Act*

Tax Policy Division

- *Income Tax Act*

Budgetary Allocation

The 2003 Budget which was tabled with the House of Assembly by the Minister of Finance on 27 March, 2003 showed a net revised budget for the Department of Finance of $7.2 million. This represented total expenditures of $59.3 million offset by related revenues of $52.1 million summarized as follows:

TABLE 1

Department of Finance
Departmental Budget
For the year ending 31 March, 2003

Expenditures	Budget $	Revised $
Operating Salaries	5,640,700	5,828,400
General Operating	883,300	744,400
Professional Services	74,700	46,200
Grants and Allowances (see Table 2)	2,410,000	12,710,000
Information Technology	536,400	536,400
Government Personnel Costs (see Table 3)	51,355,700	37,259,000
Pensions Administration	2,233,000	2,222,500
Gross Expenditures	**63,133,800**	**59,346,900**
Related Revenue (see Table 4)	(48,620,000)	(52,178,200)
Net Expenditure	**14,513,800**	**7,168,700**

Source: 2003 Budget

Included in the Department's budget are operating grants to the C.A. Pippy Park Commission and special assistance related to the Government's fuel oil tank replacement program. As well, Government has advanced $12 million to the Newfoundland Municipal Financing Corporation to assist in the restructuring of the debt obligations of certain financially distressed municipalities, as approved by the Department of Municipal and Provincial Affairs.

TABLE 2

Department of Finance
Grants and Allowances Budget
For the year ending 31 March, 2003

	Budget $	Revised $
Appropriations provide for the fuel oil tank replacement program	2,000,000	300,000
Grants to the Newfoundland Municipal Finance Corporation to assist municipalities in restructuring their debt	0	12,000,000
Operating grant to Pippy Park Commission	400,000	400,000
Other	10,000	10,000
Total Grants and Allowances	**2,410,000**	**12,710,000**

Source: 2003 Budget

As well as the operating budget of the Department, all costs relating to universal employee benefits paid by Government as the employer are centralized as Government Personnel Costs in the Department of Finance. These include Employment Insurance (EI), the Canada Pension Plan (CPP), and group health benefits. Also, payments relating to pay equity arrangements and various salary anomalies have been centralized in the Department of Finance.

TABLE 3

Department of Finance
Government Personnel Costs Budget
For the year ending 31 March, 2003

	Budget $	Revised $
Salaries	12,261,600	0
Employee Benefits:		
EI	7,345,800	6,921,100
CPP	11,259,000	10,862,500
Group Medical	12,434,400	11,358,500
Group Life	1,282,100	1,437,700
Health and Post Secondary Employment Tax (Payroll Tax)	6,772,800	6,679,200
Total Expenditures	**51,355,700**	**37,259,000**

Source: 2003 Budget

In addition to recovering all costs related to administering Government's pensions program, the Department collects revenues from Crown Agencies, primarily Newfoundland and Labrador Hydro which paid $47.6 million in dividends during the 2002-03 fiscal year.

TABLE 4

Department of Finance
Related Revenue Budget
For the year ending 31 March, 2003

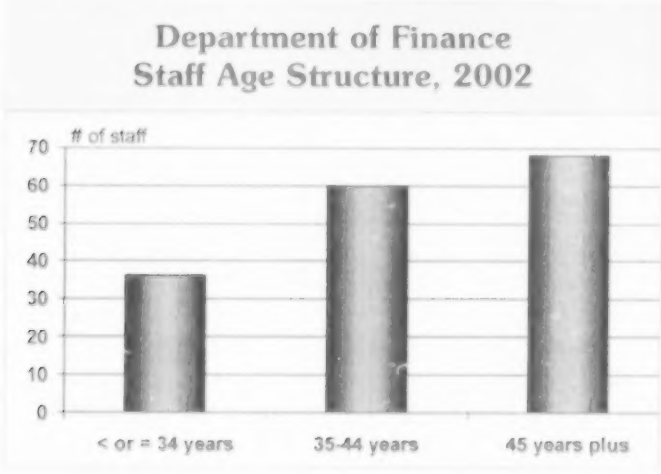
	Budget $	Revised $
Cost Recoveries:		
Pensions Administration	2,233,000	2,222,500
Debt Management	297,000	303,800
Other	205,000	366,900
Dividends of Newfoundland and Labrador Hydro Corporation	44,200,000	47,600,000
Loan Recoveries from Newfoundland and Labrador Industrial Development Corp.	1,685,000	1,685,000
Total	**48,620,000**	**52,178,200**

Source: 2003 Budget

Human Resources

At the beginning of 2002-03, the Department had 164 staff including the Executive and its three branches. Like other areas in Government, the Department has an aging workforce and needs to plan for emerging issues with respect to retirement, recruitment and succession planning. Based on the 2002 Departmental Human Resources Plan, about 41 per cent of the staff were 45 years or older. At that time 26 positions were eligible to retire within 5 years.

The Department's staff has a wide and varied knowledge base accumulated through a combination of education and experience. Many of the professional and technical positions require considerable lead time to learn the requirements and processes unique to the positions. Unless a strategic approach is developed to arrange for the orderly replacement of retiring employees, a significant amount of the corporate memory will be lost. This is a major challenge and highlights the need for mentoring and formal succession planning.



Shared Commitments

The Department works closely with numerous organizations and associations

Some of the most significant partnerships and client initiatives in 2002-03 include:

Cash Management and Pensions

While Treasury Board is responsible for Government's budgeting program, Public Accounts, and all matters related to collective bargaining within the public service, the Department of Finance is responsible for the Province's cash management program, capital market activities and the administration of the Government Pension program. The Department provides all necessary advice and direction to assist Treasury Board in its development of the annual budgets and formulating collective bargaining positions on Pensions on behalf of Government.

Community Accounts

The Department worked closely with the Strategic Social Plan office, Memorial University, regional Strategic Social Plan Committees, citizens and numerous Government Departments to build and develop the Community Accounts. The Accounts provide data and social and economic indicators for 400 communities in the Province. The data are used: by citizens to understand factors that contribute to their well-being; by departments for policy development and monitoring; by Health Boards for assessing client needs; by medical practitioners for establishing quantities of medications needed; and by educators (Memorial Medical School) for teaching about the determinants of health.

Economic Forecast Preparation

The Department works closely with several Government departments to obtain information critical to the provincial economic forecast. These include the Departments of Fisheries and Aquaculture (e.g., information on fish landings); Forest Resources and Agrifoods (e.g., newsprint outlook); Tourism, Culture and Recreation (e.g., tourism expectations); and Mines and Energy (e.g., oil production and employment). The same departments are also called upon for information and consultation during the preparation of the Budget publication, *The Economy* and the mid-year report, *The Economic Review*. In addition to consulting with government officials during the preparation of its economic forecasts, the Department seeks the opinions of other industry experts. Some examples include: the Conference Board of Canada (e.g., exchange rates and energy prices); major commercial banks; Canada Mortgage and Housing Corporation; and the Canadian Manufacturers and Exporters, Newfoundland and Labrador.

Fiscal Arrangements

While the Department has direct responsibility for administering tax programs and federal-provincial transfer arrangements, there is ongoing liaison with the Intergovernmental Affairs

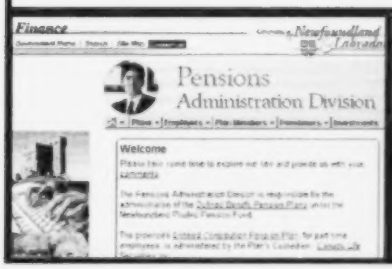
Secretariat on various federal-provincial issues, particularly in preparation for the Annual Premiers' Conferences. The development of provincial tax policy can also involve most Government departments especially those involved in resource management with responsibility for large projects such as Voisey's Bay and offshore oil. Finally, there is regular interaction with Treasury Board as revenue estimates are prepared and monitored by the Department of Finance as part of the overall Budget process, and both organizations are involved in the pre-budget consultations and preparations for the annual Budget speech.

Strategic Partnership Initiative

The Strategic Partnership between government, labour and business availed of the Department's services on numerous occasions for support on economic concepts and research. While the products provided to the Partnership were mainly in the form of briefing materials and presentations, the Department also prepared a report titled: *Productivity and Productivity Growth: Newfoundland and Labrador*.

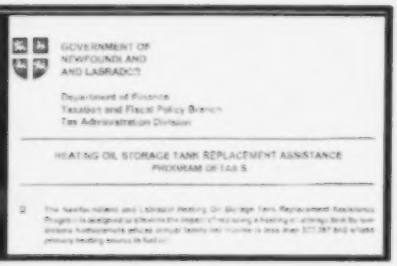
Highlights and Accomplishments

The Department discusses a number of achievements during the year



The Pensions Administration Division introduces its new web site www.gov.nl.ca/fin/pensions

The Community Accounts Team—recipient of the 2002 Public Service Award of Excellence www.communityaccounts.ca



Information Bulletin on the Fuel Tank Replacement Program

Legislation Update

The following Bills were introduced before the House of Assembly and subsequently given Royal Assent during 2002-03.

Public Service Pensions Act

To implement formal pension indexing and increase contributions related thereto, and to increase Government's annual special payments by $20 million.

Teachers' Pensions Act

To implement formal pension indexing and increase contributions related thereto, and to permit teachers to recognize strike time for pension purposes.

The Loan Act, 2002

To authorize Capital Market borrowings to support the Province's borrowing program for the 2002-03 fiscal year.

Mining and Mineral Rights Tax Act

To implement certain reforms to the mining tax regime.

Gasoline Tax Act

To provide the Department of Finance with the ability to obtain gasoline samples without having to arrange for Warrants.

Tobacco Tax Act

To increase tobacco tax to 11¢ per gram of tobacco.

Federal-Provincial Fiscal Arrangements

With the release of the Romanow Commission Report on the Future of Health Care in Canada, the first ministers met in February 2003 to discuss the future of health care. As a result of that meeting, the Federal Government agreed to provide $2.5 billion in supplementary payments to the provinces commencing in the 2003-04 fiscal year. This Province's share of those payments amounted to approximately $42 million.

Budget Preparation and Consultations

As part of the 2003 Budget consultation process, a series of roundtable discussions were organized by the Department. Roundtable discussions were held in eight communities throughout the Province: Carbonear, Gander, Grand Falls-Windsor, Stephenville, Corner Brook, Happy Valley - Goose Bay, Labrador City and St. John's. Approximately 195 people representing over 90 organizations partici-

pated in these discussions. As well, the Department received numerous written briefs, e-mails, faxes and telephone calls from residents offering their suggestions on budget priorities.

Incentive Programs

Fuel Tank Replacement Program

In the 2002 Budget, the Department announced a $2 million program to assist low income homeowners offset the cost of fuel tank replacement. The program commenced on April 1, 2002 and will continue until March 31, 2007. In 2002-03, the Department received 906 applications for assistance. Of that amount, 649 homeowners were approved for assistance totaling $182,815. The average rebate amount was approximately $281.

Newfoundland and Labrador Child Benefit (NLCB)

The income threshold for the NLCB was also increased as part of the 2002 Budget. In 2002-03, the NLCB provided assistance totaling $8.2 million to approximately 20,500 families, representing 32,200 children.

Credit Rating

Annually, the Department of Finance meets with three credit rating agencies which rate the credit worthiness of the Province. These include two international firms: Standard & Poor's and Moody's Investors Service; and one Canadian firm, Dominion Bond Rating Services.

These meetings allow the rating agencies to undertake a comprehensive review of the Province's economy, annual budgets and borrowing activity with senior officials of Government in order to determine the Province's credit rating. Subsequently, the agencies issue reports highlighting this fiscal review and assign a credit ranking to the Province which are followed closely by the investment community, senior financial institutions and the Province's underwriters which are involved in purchasing and distributing the Province's debenture issues. In May 2002, Moody's Investors Service increased the Province's credit rating from "Baa1" to "A3".

Economic Services

Economic services were provided to a broad clientele in 2002-03 including provincial government departments, businesses, associations, students, and federal agencies. Some of the reports released during the year included: *Demographic Change: Newfoundland and Labrador Issues and Implications*; a profile of the manufacturing industry; and the annual publications, *The Economy* and *The Economic Review*. Also in 2002-03 research work commenced for the *Royal Commission on Renewing and Strengthening Our Place in Canada*. Consultations were also held with the Province's credit rating agencies to discuss economic performance and outlook.

Statistical Services

The system of Community Accounts, built in partnership with Memorial University, was publicly released in 2002-03. The system provides data and social and economic indicators of well-being for 400 communities in the Province with comparisons with other provinces and countries. The system has received national acclaim for its ability to provide detailed data in a user-friendly format. The system won two awards in 2002-03, the provincial Public Service Award of Excellence and The Institute of Public Administration in Canada's National Award for Innovation in Knowledge Management. The system is a first in Canada and is now being emulated by the Government of Nova Scotia which is building the Nova Scotia Community Accounts supported by this Department's expertise.

Internet Services

The Department continued to make strides in increasing online information. During 2002-03 there was an average of over 30,000 "hits" per month to various pages on the Department's main web site. This figure does not include traffic to the individual sites operated by Economic Research and Analysis, Newfoundland and Labrador Statistics, the Community Accounts, GeoStats, and the Pensions Division. During the 2002-03 year, the Pensions Administration Division constructed a web site to provide information on the Province's various pension plans. This site was launched in the first quarter of 2003.

Strategic Issues and Outcomes

Strategic issues are those fundamental policy choices or critical challenges that must be addressed for the Department to achieve its vision

The Department of Finance has identified four key strategic issues which will be the focus of the Department's activities over the next several years. Each issue is explained and the challenges and opportunities associated with each issue is discussed.

Strategic Issue 1:

How to increase the level of Federal transfer support for social programs?

Federal transfers continue to be a significant part of the revenues for the Province and in the March 2003 Budget the Province estimated that $1.5 billion would be received in fiscal transfer payments. This represented approximately 38 per cent of total current and related provincial revenues of $3.9 billion. A significant portion of Federal transfers involves payments under the Canada Health and Social Transfer (CHST) program which, in 2002-03, was estimated to be $340 million.

GOAL: ***To increase the amount of Federal transfer payments for social programs, particularly health care.***

National health care costs have risen steeply since the mid 1990s, outpacing provincial revenue growth. The Federal Government first reduced transfer payments for social programs in 1994-95 as part of the budgetary cuts to reduce the Federal deficit. Essentially, this action downloaded a substantial part of the Federal cost burden onto the provinces and territories which are responsible for the delivery of health services. The 1993-94 level of funding has yet to be restored and this lack of funding has had a major impact on the ability of all provinces and territories to deliver adequate health services. Getting the Federal Government to fund a more equitable share of health care costs is the aim of all provinces and territories.

The first priority for all provinces and territories is to have Canada Health and Social Transfer (CHST) payments restored to the levels which existed prior to the Federal budgetary cuts in 1994-95. Once that has been achieved the Federal Government will be asked to increase its share of Federal transfer payments for all social programs to 25 per cent of total related expenditures.

Collectively, provincial and territorial premiers and finance ministers have become very active in pressing the provincial and territorial case with the Federal Government. By continuously raising the health funding issue as a major public issue the Federal Government has slowly increased funding levels. This continues to be a major challenge in federal-provincial fiscal arrangements.

Strategic Issue 2:

How to maintain the fiscal integrity of the Province?

Expenditure growth in recent years has outpaced revenue growth despite the availability of one-time revenue items. In 2002-03, Government substantially completed its program of recovering its one-time revenue items by liquidating $80.6 million in voluntary sinking fund assets which was returned to the Province. The final amount of $37.0 million is anticipated in 2003-04. Despite the return of these one-time revenue items, the 2003 March Budget estimated a revised budgetary cash deficit of $61.7 million for the fiscal year ended 31 March, 2003, as well as, a projected $212.7 million budgetary cash deficit for the following fiscal year. The demand for increased borrowings to cover these budgetary deficits will put additional pressure on debt servicing costs, and this deterioration in fiscal integrity will be of serious concern to the financial community unless a reasonable plan is developed to address budgetary deficits.

GOAL: ***To strengthen the Province's fiscal integrity by moving toward balanced budgets.***

Government cannot provide essential services and operate effectively unless it can make significant strides toward balanced budgets. The Capital Market Borrowing Program for the year ended 31 March, 2003 amounts to $493 million and this is estimated to increase to $578 million in 2003-04. While a significant part of these programs is necessary to retire existing debt of the Province and certain of its Crown Agencies, the Province also has agreed to make $163.5 million in annual payments into the Pension Fund to address unfunded pension liabilities. The Government has been able to contain debt servicing costs despite pressures to increase its borrowing program to finance deficits due, in large part, to declining interest rates. At present, declining interest rates have enabled the Province to finance its maturing debt at lower rates, thereby creating budgetary savings to be used to offset the cost of additional borrowings. In 2002-03 debt servicing costs of $559.9 million represented 14.6 per cent of the total current account expenditures; $556.6 million or 13.8 per cent is estimated for 2003-04.

During periods of sustained interest rate growth debt servicing costs will rise, resulting in increasing pressure on future budgets. While the various credit rating agencies have supported the Province in its efforts to institute fiscal prudence they are concerned about the lack of a strategic plan to address fiscal imbalances now that the one-time items are no longer available.

Strategic Issue 3:

How to ensure the financial stability of the provincial pension plans?

Historically, Government pension plans have been underfunded as contributions from plan members and their employers have not been sufficient to finance the cost of benefits. Also, public sector unions and pensioners have brought pressure on Government to provide pension indexing comparable to other public sector plans in Canada.

The Goal: ***To fully fund pension unfunded liabilities over a reasonable time within the Province's fiscal capacity.***

In recent years, Government and public sector unions have made a concerted effort to address the pension unfunded liabilities by modifying benefits and increasing contributions. In addition, Government has introduced a stream of annual special payments which in 2002-03 totalled $148.5 million. While these initiatives have increased the financial support for those plans, the unfunded pension liabilities continue to be of major concerns as they amounted to $3.6 billion at 31 March, 2003.

The main plan, the Public Service Pension Plan, which covers approximately 26,000 employees of Government and its agencies has an unfunded liability of $1.5 billion at 31 March, 2003. However, members contributions and those of their employers currently are in excess of the cost of benefits and these excess payments together with special annual payments of $60 million are projected to fully finance that plan's unfunded liability over 40 years.

The other plans, primarily the Teachers' Pension Plan, have had their benefits modified and their contributions increased to partly address the unfunded liabilities. However, these changes and Government's commitment to a stream of special annual payments which amounted to $103.5 million in 2002-03 are not sufficient to finance the unfunded liabilities of these plans which amounted to $2.1 billion at 31 March, 2003. Unless further changes are made, the assets in these plans are projected to be exhausted by 2014, at the latest.

Strategic Issue 4:

How to meet to growing demand for economic, social and demographic statistics and analysis?

Increasingly policy makers and planners are demanding more detailed data and analysis specific to their needs. Data and information may be requested along specific geographical lines (e.g., communities) or along industry lines (e.g., oil industry impact). Improved ability to handle and process large amounts of information in recent years has made such requests more attainable and increased the interest in better, more detailed and precise information for decision making purposes. In many cases, the data and information required is not readily available, and has to be collected and assembled into a user friendly format. These activities have brought greater demands on the Economics and Statistics Branch, in particular from departments and groups outside the Department of Finance, increasing the central agency role of the Branch.

The Goal: **To increase the information base and tools within the Economics and Statistics Branch to meet the specific needs of Government and other clients.**

The Branch is working on a number of initiatives to achieve this goal. Policy or issue centered surveys such as the Survey of In and Out - Migrants, the Labour Market Activity Survey and a range of other strategic data collection efforts are being administered to fill key information needs or gaps.

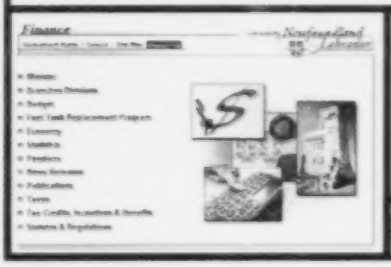
Efforts will continue to provide current economic and statistical information through the Branch's web sites. The Community Accounts and the GeoStats geographic information system (GIS) are providing sub-provincial data and analytical tools to meet new data and geographically based analytical requirements. The Branch introduced population projections by age and economic zone online in 2001, and efforts are underway to provide projections online by health institutional boards, health and community service boards, school districts and more. Regular updates on the impact of the oil industry on the Province's economy and economic forecasts for the St. John's Metropolitan Area will also be prepared.

Proactive measures are also being put in place to ensure that the Branch identifies information needs and data gaps before they emerge, and adjusts its activities accordingly. Surveys, monitoring of policy direction, and consultations with industry leaders and government officials are some of the approaches used to identify emerging information requirements.

Contact Information

The Department of Finance

www.gov.nl.ca/fin



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Department Web Sites:

Main:	***www.gov.nl.ca/fin***
Economics:	***www.economics.gov.nl.ca***
Statistics:	***www.stats.gov.nl.ca***
Pensions:	***www.gov.nl.ca/fin/pensions***
Community Accounts:	***www.communityaccounts.ca***
GeoStats:	***www.geostats.ca***

Department's Publications

The Department produces an array of publications and information bulletins

Financial

- Budget - Preparation of Speech and Pre-budget Consultations

Taxation

- Tax Information Bulletins
  - Sales Tax
  - Gasoline Tax
  - Tobacco Tax
  - Health and Post Secondary Education Tax
  - Insurance Companies Tax
  - Utilities and Cable Television Companies Tax
  - Mining and Mineral Rights Tax

Pensions

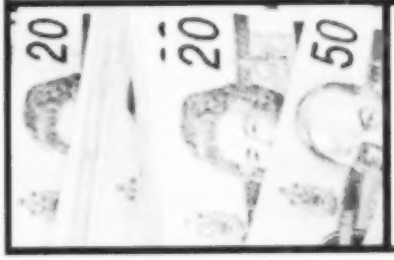
- Plan Members Guide to the Public Service Pension Plan

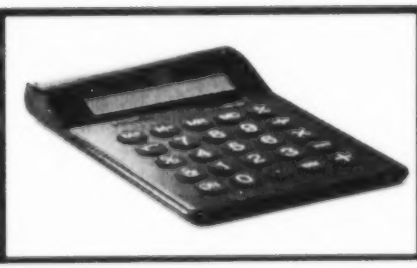
Economic and Statistical

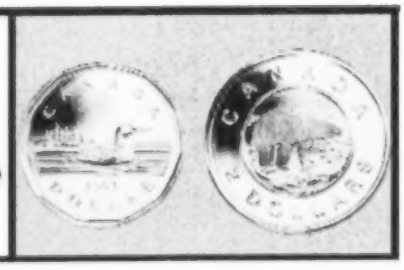
- The Economy
- The Economic Review
- Demographic Change: Newfoundland and Labrador, Issues and Implications
- Productivity and Productivity Growth: Newfoundland and Labrador
- Profiling the Manufacturing Sector in Newfoundland and Labrador
- The Flashsheet (Labour Force and Consumer Price Index)

Financial Statements

Enclosed are the audited statements of expenditure and related revenue for the Department of Finance for 2002-03







DEPARTMENT OF FINANCE
Statement of Expenditure and Related Revenue
FOR THE YEAR ENDED 31 MARCH 2003

	Actual	Estimates Amended	Estimates Original
	$	$	$
EXECUTIVE AND SUPPORT SERVICES			
MINISTER'S OFFICE			
CURRENT			
1.1.01. MINISTER'S OFFICE			
01. Salaries	**137,393**	138,200	123,200
03. Transportation & Communication	**48,586**	51,200	46,200
04. Supplies	**7,276**	7,700	2,200
06. Purchased Services	**15,083**	15,200	15,600
Total: Minister's Office	**208,338**	212,300	187,200
TOTAL: MINISTER'S OFFICE	**208,338**	212,300	187,200
GENERAL ADMINISTRATION			
CURRENT			
1.2.01. EXECUTIVE SUPPORT			
01. Salaries	**551,729**	553,100	522,100
02. Employee Benefits	**770**	800	500
03. Transportation & Communication	**67,629**	70,600	64,400
04. Supplies	**4,692**	4,800	2,600
06. Purchased Services	**2,288**	4,400	4,600
Total: Executive Support	**627,108**	633,700	594,200
1.2.02. ADMINISTRATIVE SUPPORT			
02. Employee Benefits	**3,396**	3,600	2,800
03. Transportation & Communication	**139,075**	148,500	178,000
04. Supplies	**25,763**	32,300	38,800
06. Purchased Services	**112,106**	113,400	37,900
07. Property, Furnishings & Equipment	**9,344**	11,500	5,500
	289,684	309,300	263,000
02. Revenue - Provincial	**(110,488)**	(75,000)	(75,000)
Total: Administrative Support	**179,196**	234,300	188,000
TOTAL: GENERAL ADMINISTRATION	**806,304**	868,000	782,200
GENERAL GOVERNMENT			
CURRENT			
1.3.01. GOVERNMENT PERSONNEL COSTS			
01. Salaries	**24,417**	698,065	84,226,200
02. Employee Benefits	**37,835,893**	39,076,900	40,941,600
	37,860,310	39,774,965	125,167,800
02. Revenue - Provincial	**(158,256)**	(125,000)	(125,000)
Total: Government Personnel Costs	**37,702,054**	39,649,965	125,042,800
TOTAL: GENERAL GOVERNMENT	**37,702,054**	39,649,965	125,042,800
TOTAL: EXECUTIVE AND SUPPORT SERVICES	**38,716,696**	40,730,265	126,012,200

DEPARTMENT OF FINANCE (CONTINUED)

	Actual	Estimates Amended	Estimates Original
	$	$	$
FINANCIAL ADMINISTRATION			
FINANCIAL ADMINISTRATION			
CURRENT			
2.1.01. PENSIONS ADMINISTRATION			
01. Salaries	**1,502,594**	1,512,500	1,512,500
02. Employee Benefits	**3,000**	3,100	3,000
03. Transportation & Communication	**41,560**	44,900	44,900
04. Supplies	**18,757**	19,000	10,000
05. Professional Services	**134,886**	139,900	150,000
06. Purchased Services	**32,200**	35,000	34,000
07. Property, Furnishings & Equipment	**1,647**	3,000	3,000
	1,734,644	1,757,400	1,757,400
02. Revenue - Provincial	**(1,717,472)**	(1,757,400)	(1,757,400)
Total: Pensions Administration	**17,172**	-	-
2.1.02. DEBT MANAGEMENT			
01. Salaries	**663,305**	664,600	644,600
02. Employee Benefits	**100**	1,200	1,700
03. Transportation & Communication	**12,770**	16,600	16,600
04. Supplies	**4,081**	4,300	2,800
06. Purchased Services	**337**	1,400	1,400
	680,593	688,100	667,100
02. Revenue - Provincial	**(309,991)**	(279,500)	(279,500)
Total: Debt Management	**370,602**	408,600	387,600
2.1.03. CROWN AGENCIES - RECOVERIES			
02. Revenue - Provincial	**(47,268,438)**	(44,200,000)	(44,200,000)
Total: Crown Agencies - Recoveries	**(47,268,438)**	(44,200,000)	(44,200,000)
2.1.04. FINANCIAL ASSISTANCE			
10. Grants and Subsidies	**400,000**	400,000	400,000
02. Revenue - Provincial	**(1,685,000)**	(1,685,000)	(1,685,000)
Total: Financial Assistance	**(1,285,000)**	(1,285,000)	(1,285,000)
2.1.05. SPECIAL ASSISTANCE			
09. Allowances and Assistance	**189,179**	1,800,000	2,000,000
Total: Special Assistance	**189,179**	1,800,000	2,000,000
CAPITAL			
2.1.06. FINANCIAL ASSISTANCE TO CROWN CORPORATIONS			
10. Grants and Subsidies	**12,000,000**	12,000,000	-
Total: Financial Assistance to Crown Corporations	**12,000,000**	12,000,000	-
TOTAL: FINANCIAL ADMINISTRATION	**(35,976,485)**	(31,276,400)	(43,097,400)

DEPARTMENT OF FINANCE (CONTINUED)

	Actual	Estimates Amended	Estimates Original
	$	$	$
FINANCIAL ADMINISTRATION			
TAXATION AND FISCAL POLICY			
CURRENT			
2.2.01. TAX POLICY			
01. Salaries	**410,898**	411,900	446,200
02. Employee Benefits	**-**	500	500
03. Transportation & Communication	**19,364**	24,400	25,400
04. Supplies	**5,913**	6,800	1,800
05. Professional Services	**-**	1,000	9,000
06. Purchased Services	**1,316**	3,100	5,100
Total: Tax Policy	**437,491**	447,700	488,000
2.2.02. FISCAL POLICY			
01. Salaries	**263,681**	266,800	306,800
02. Employee Benefits	**-**	500	500
03. Transportation & Communication	**32,794**	35,400	35,400
04. Supplies	**4,591**	6,300	3,300
05. Professional Services	**-**	1,500	4,500
06. Purchased Services	**2,068**	2,900	2,900
Total: Fiscal Policy	**303,134**	313,400	353,400
2.2.03. PROJECT ANALYSIS			
01. Salaries	**380,481**	386,100	491,100
02. Employee Benefits	**200**	2,200	2,200
03. Transportation & Communication	**5,703**	27,600	27,600
04. Supplies	**5,345**	9,200	9,200
05. Professional Services	**5,000**	5,000	20,000
06. Purchased Services	**1,135**	2,000	2,000
07. Property, Furnishings & Equipment	**-**	-	1,600
Total: Project Analysis	**397,864**	432,100	553,700
2.2.04. TAX ADMINISTRATION			
01. Salaries	**2,366,624**	2,368,800	2,238,800
02. Employee Benefits	**2,682**	3,700	3,700
03. Transportation & Communication	**90,666**	113,000	191,200
04. Supplies	**29,137**	35,600	47,600
05. Professional Services	**16,289**	25,400	25,400
06. Purchased Services	**42,519**	45,100	27,600
10. Grants and Subsidies	**-**	10,000	10,000
	2,547,917	2,601,600	2,544,300
02. Revenue - Provincial	**(16,129)**	-	-
Total: Tax Administration	**2,531,788**	2,601,600	2,544,300
TOTAL: TAXATION AND FISCAL POLICY	**3,670,277**	3,794,800	3,939,400

DEPARTMENT OF FINANCE (CONTINUED)

	Actual	Estimates	
		Amended	Original
	$	$	$
FINANCIAL ADMINISTRATION			
ECONOMIC POLICY AND STATISTICS			
CURRENT			
2.3.01. ECONOMICS AND STATISTICS			
01. Salaries	**1,022,060**	1,045,200	867,900
02. Employee Benefits	**2,857**	3,600	3,600
03. Transportation & Communication	**34,718**	36,800	36,800
04. Supplies	**23,939**	25,300	25,300
05. Professional Services	**8,296**	43,200	15,800
06. Purchased Services	**12,899**	16,400	8,400
	1,104,769	1,170,500	957,800
01. Revenue - Federal	**(112,000)**	-	-
02. Revenue - Provincial	**(84,338)**	(5,000)	(5,000)
Total: Economics and Statistics	**908,431**	1,165,500	952,800
TOTAL: ECONOMIC POLICY AND STATISTICS	**908,431**	1,165,500	952,800
TOTAL: FINANCIAL ADMINISTRATION	**(31,397,777)**	(26,316,100)	(38,205,200)
TOTAL: DEPARTMENT	**7,318,919**	14,414,165	87,807,000

DEPARTMENT OF FINANCE (CONTINUED)

Summary of Gross Expenditure and Unexpended Balances

	$
Original estimates (net)	87,807,000
Add (subtract) transfers of estimates	(73,392,835)
Addback revenue estimates net of transfers	48,126,900
Original estimates of expenditure	62,541,065
Supplementary supply	-
Total appropriation	62,541,065
Total net expenditure	7,318,919
Add revenue less transfers	51,462,112
Total gross expenditure (budgetary, non-statutory)	58,781,031
Unexpended balance of appropriation	3,760,034

Summary of Cash Payments and Receipts

	Payments	Receipts	Net
	$	$	$
Current Account	46,781,031	51,462,112	(4,681,081)
Capital Account	12,000,000	-	12,000,000
Totals	58,781,031	51,462,112	7,318,919

PHILIP J. WALL
Deputy Minister
Finance